

Policy Highlights:

Reserve Bank of India (RBI) Governor Sanjay Malhotra on June 6, 2025 announced that the MPC voted to reduce the policy repo rate by 50 basis points to 5.50 per cent with immediate effect. Consequently, the standing deposit facility (SDF) rate under the liquidity adjustment facility (LAF) shall stand adjusted to 5.25 per cent and the marginal standing facility (MSF) rate and the Bank Rate to 5.75 per cent. This decision is in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4 per cent within a band of +/- 2 per cent, while supporting growth.

Outlook:

The uncertainty around the global economic outlook has ebbed somewhat since the MPC met in April in the wake of temporary tariff reprieve and optimism around trade negotiations. However, it continues to remain elevated to weaken sentiments and lower global growth prospects. Accordingly, global growth and trade projections have been revised downwards by multilateral agencies. Going forward, economic activity continues to maintain the momentum in 2025-26, supported by private consumption and traction in fixed capital formation. Investment activity is expected to improve in light of higher capacity utilization, improving balance sheets of financial and non-financial corporates, and government’s capital expenditure push. On the supply side, agriculture prospects remain bright on the back of an above normal south-west monsoon forecast and resilient allied activities. Services sector is expected to maintain its momentum. Taking all these factors into account, real GDP growth for 2025-26 is projected at 6.5 per cent, with Q1 at 6.5 per cent, Q2 at 6.7 per cent, Q3 at 6.6 per cent, and Q4 at 6.3 per cent. The risks are evenly balanced. The outlook for inflation points towards benign prices across major constituents. The record wheat production and higher production of key pulses in the Rabi crop season should ensure adequate supply of key food items. Going forward, the likely above normal monsoon along with its early onset augurs well for Kharif crop prospects. Taking all these factors into consideration, and assuming a normal monsoon, CPI inflation for the financial year 2025-26 is now projected at 3.7 per cent, with Q1 at 2.9 per cent; Q2 at 3.4 per cent; Q3 at 3.9 per cent; and Q4 at 4.4 per cent. The risks are evenly balanced.

After having reduced the policy repo rate by 100 bps in quick succession since February 2025, under the current circumstances, monetary policy is left with very limited space to support growth. Hence, the MPC also decided to change the stance from accommodative to neutral. From here onwards, the MPC will be carefully assessing the incoming data and the evolving outlook to chart out the future course of monetary policy in order to strike the right growth-inflation balance. The fast-changing global economic situation too necessitates continuous monitoring and assessment of the evolving macroeconomic outlook.

Policy Rates								
Y-O-Y Growth (%)	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	June-25
Repo	6.50%	6.50%	6.50%	6.25%	6.25%	6.00%	6.00%	5.50%
Reverse Repo	3.35%	3.35%	3.35%	3.35%	3.35%	3.35%	3.35%	3.35%
CRR	4.50%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
SLR	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%
Inflation								
Y-O-Y Growth (%)	Sept-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25
Inflation (WPI)	1.91%	2.75%	2.16%	2.57%	2.51%	2.45%	2.05%	0.85%
Inflation (CPI)	5.49%	6.21%	5.48%	5.22%	4.26%	3.61%	3.34%	3.16%
GDP Growth								
Y-O-Y Growth (%)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
GDP (% Growth)	9.66%	9.34%	9.51%	8.35%	6.51%	5.61%	6.37%	7.38%
GVA (% Growth)	9.94%	9.22%	8.00%	7.27%	6.55%	5.81%	6.49%	6.77%

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